

CHAPTER 33: GINNIE MAE INITIATIVES — SPECIAL PROVISIONS

33-1: OVERVIEW OF CHAPTER

This chapter describes special provisions that may apply to one or more of the programs covered in Chapters 24 through 32 through the implementation of new Ginnie Mae programs or initiatives.

33-2: TARGETED LENDING INITIATIVE

The Targeted Lending Initiative program (TLI) provides for a reduction in the Ginnie Mae guaranty fee of an amount from 1 to 3 basis points (BP) on an eligible pool or loan package, depending on the percentage of loans in the pool or loan package that are secured by properties located in certain eligible communities.

The eligible communities are limited to census tracts specified by HUD (see Section 33-2(B)(2)).

(A) Issuer Eligibility

All Ginnie Mae issuers of the eligible pool types may participate in the TLI. No separate application or approval is required.

(B) Loan and Pool Eligibility

- (1) TLI applies to the following eligible pool types:

SF under the Ginnie Mae I and Ginnie Mae II MBS Programs (Chapter 24);

BD under the Ginnie Mae I MBS Program (Chapter 25); BD pools are not issued under the Ginnie Mae II MBS Program, but BD mortgages can be co-mingled under the Ginnie Mae II MBS Program with non-buydown mortgages in single family pools and loan packages (Chapters 24, 26 through 28);

APM (AR or AQ) under the Ginnie Mae II MBS Program (Chapter 26); APM pools are not issued under the Ginnie Mae I MBS Program;

GPM (GP or GT) under the Ginnie Mae I MBS Program and the Ginnie Mae II MBS Program (Chapter 27);

GEM (GA or GD) under the Ginnie Mae I MBS Program and the Ginnie Mae II MBS Program (Chapter 28); and

Serial Notes (SN) under the Ginnie Mae I MBS Program (Chapter 29); SN pools are not issued under the Ginnie Mae II MBS Program.

CHAPTER 33: GINNIE MAE INITIATIVES — SPECIAL PROVISIONS

Section 33-2(B) (continued)

- (2) “Eligible loans” includes any loans eligible for a program listed in (1) above that are located within certain census tracts, as specified by HUD, in communities located in 43 states and the District of Columbia. These eligible census tracts have been designated by HUD as Urban Empowerment Zones, Supplemental Empowerment Zones, Enterprise Communities, or Enhanced Enterprise Communities. These designated communities are listed in Appendix III-10. Underserved adjacent areas are also eligible for the new program. An underserved area is defined as an underserved census tract in a Metropolitan Statistical Area (MSA) that includes a designated community, as defined above.

“Eligible loans” also includes loans eligible for a program listed in (1) above that are located in census tracts with 50% or greater Indian or Alaskan Native populations.

GinnieNET 5.2, which must be used by issuers desiring TLI credit (see Section 33-2(B)), will enable the issuer to determine which of its pooled loans are “eligible loans.”

(C) Fees

- (1) The standard single family MBS guaranty fee of 6 BP will be reduced by an amount from 1 to 3 BP, depending on the percentage of the aggregate original principal amount of the pool or loan package that is secured by properties located within eligible census tracts. The following table shows how this percentage affects the applicable guaranty fee:

PERCENT OF ELIGIBLE ORIGINAL PRINCIPAL AMOUNT OF POOL OR LOAN PACKAGE		GUARANTY FEE
MINIMUM	MAXIMUM	BASIS POINTS
0.00%	< 33.33	6
33.33	< 66.67	5
66.67	<100.00	4
100.00	100.00	3

CHAPTER 33: GINNIE MAE INITIATIVES — SPECIAL PROVISIONS

Section 33-2(C)(1) (continued)

The guaranty fee will be established at the time of pool or loan package submission and will remain fixed over the life of the pool or loan package. A change in composition over time due to unscheduled recoveries of principal will not affect the guaranty fee.

(2) Example:

A loan package composed of the following loans is ready for submission.

<u>Loan</u>	<u>Remaining Principal Balance</u>
1	\$50,000
2	60,000
3	70,000
4	75,000
5	80,000
6	80,000
7	85,000
8	85,000
9	90,000
10	<u>90,000</u>
Total Pool or Loan Package	\$765,000

(a) Case 1:

If loans 1, 4, and 9 were determined to be in eligible census tracts, a guaranty fee of 6 BP would be charged by Ginnie Mae.

Loan			
1	\$ 50,000		
4	75,000	<u>\$215,000</u>	= 28%
9	<u>90,000</u>	\$765,000	
	\$215,000		

The percentage of targeted loans to the total loans in the loan package is 28%. Based on the fee matrix chart above, a loan package with 28% of its loans in eligible census tracts would not be eligible for any fee reduction.

CHAPTER 33: GINNIE MAE INITIATIVES — SPECIAL PROVISIONS

Section 33-2(C)(2) (continued)

(b) Case 2:

If loans 1, 4, 7, and 9 were determined to be in eligible census tracts, a guaranty fee of 5 BP would be charged by Ginnie Mae.

Loan

1	\$ 50,000		
4	75,000	<u>\$300,000</u>	
7	85,000	\$765,000	= 39%
9	<u>90,000</u>		
	\$300,000		

The percentage of targeted loans to the total loans in the loan package is 39%. Based on the fee matrix chart above, a loan package with 39% of its loans in eligible census tracts would be eligible for a fee reduction of 1 BP for a total fee for the loan package of 5 BP (6 BP - 1 BP).

(c) Case 3:

If loans 1, 4, 6, 7, 8, 9, and 10 were determined to be in eligible census tracts, a guaranty fee of 4 BP would be charged by Ginnie Mae.

Loan

1	\$ 50,000		
4	75,000	<u>\$555,000</u>	
6	80,000	\$765,000	= 72%
7	85,000		
8	85,000		
9	90,000		
10	<u>90,000</u>		
	\$555,000		

The percentage of targeted loans to the total loans in the loan package is 72%. Based on the fee matrix chart above, a loan package with 72% of its loans in eligible census tracts would be eligible for a fee reduction of 2 BP for a total fee for the loan package of 4 BP (6 BP - 2 BP).

CHAPTER 33: GINNIE MAE INITIATIVES — SPECIAL PROVISIONS

Section 33-2(C)(2)(c) **(continued)**

If all 10 loans were in eligible census tracts, a 3 BP guaranty fee (6 BP - 3 BP) would be charged by Ginnie Mae.

(D) Pool and Loan Package Submission

All pools and loan packages for which the issuer wants to receive TLI credit on the pool or loan package guaranty fee must be submitted through *GinnieNET* 5.2. Issuers submitting pools or loan packages using *GinnieNET* 5.2 may elect to forego TLI credit. If the issuer wishes to receive TLI credit, the issuer must enter the reduced guaranty fee as either 3, 4, or 5 BP in the guaranty fee field. The 6 BP fee would be entered for all other pools or loan packages. There are no other special information requirements for a pool or loan package containing TLI loans. In order to receive the appropriate guaranty fee credit, however, the issuer must accurately input the required information into *GinnieNET* 5.2, particularly FHA or VA case or loan numbers, and the exact addresses (including zip code) of the mortgaged properties.

If the issuer agrees with the PPA calculated fee, or disagrees with the PPA calculated fee but consents to its use in order to have the pool or loan package issued, the pools or loan packages may be issued with the issuer authorizing, by FAX, the alteration of the guaranty fee on the modified form HUD 11705 (Appendix III-6) by the PPA.

If the issuer does not agree with the *GinnieNET* calculation of the guaranty fee, the issuer must provide appropriate documentation to the Office of Customer Service to substantiate its contention that the loan or loans causing the discrepancy are eligible or that *GinnieNET*'s calculation is in error. If Ginnie Mae agrees with the issuer, the guaranty fee will be changed to the proper rate.

(E) Post Issuance Monitoring

After a pool or loan package containing eligible loans has been issued, Ginnie Mae will compare the borrower, property address, and FHA or VA loan case number against the loan file data maintained by the two agencies to determine the validity of the data. For this reason, it is imperative that the data be submitted correctly through *GinnieNET* 5.2.

CHAPTER 33: GINNIE MAE INITIATIVES — SPECIAL PROVISIONS

Section 33-2(E) (continued)

If loans are not found in the FHA or VA loan files, the issuer will be required to submit a written explanation for any discrepancy. Ginnie Mae will take appropriate action following a review of the submitted material.

Ginnie Mae will also monitor the substitution of loans to assure compliance with the intent of the TLI and the Ginnie Mae Guide regarding loan substitution.